

## **Notes of October 14, 2020 EPA-CES call about the CES-Mendota Class VI Permit Application**

Participants: David Albright, Calvin Ho (EPA Region 9); Rebecca Hollis (CES); Natalie Nowiski (Schlumberger); and Shari Ring (Cadmus).

EPA, the permit applicant, and their consultants met to discuss CES's follow up questions to EPA's request for additional information about their draft Emergency and Remedial Response Plan and financial responsibility cost estimates.

### **Emergency and Remedial Response Plan**

CES said that they will prepare an updated Emergency and Remedial Response Plan that addresses EPA's comments on the draft plan. EPA requested that the revision be a redline-strikeout.

CES asked whether it needs to provide safety protocols for the entire project or just the Class VI well. Cadmus explained that the intent of the request is to gain some context about the site-specific safety procedures referenced in the Emergency and Remedial Response Plan. CES says that the plan is under development, but they can provide a draft by October 31.

### **Financial Responsibility Demonstration**

CES confirmed that they used EPA's Cost Estimation Tool to develop their cost estimate. They received a copy of the tool from Schlumberger, but are unsure of from whom. They were unaware that it was an internal product and will take care not to distribute it.

Cadmus provided some background about the calculations in the Cost Tool, explaining that they are based on detailed research performed to support the cost analysis for the Class VI rule. EPA intended for the research to inform a high-level evaluation of applicant-provided cost estimates. However, the cost values that support CES's financial responsibility demonstration need to be project-specific.

CES asked Schlumberger to develop project-specific cost estimates. EPA explained that the costs should be developed by a third party and reflect what EPA would need to pay for the activities should CES become insolvent. CES replied that it is unlikely that they will be able to procure a third party estimate by October 31, but can provide Schlumberger's estimate to illustrate the level of detail for the cost estimate that they envision procuring.

CES asked whether the cost estimate for emergency response can factor in the probability of the events it will cover. David explained that, while it is recognized that the costs themselves may never be incurred, the resources need to be available. Therefore, a probability cannot be factored into the value because the funds will be specific to the CES project.

CES also expressed concern about the difficulty in securing a financial instrument for emergency response activities. They said that, given the newness of CO<sub>2</sub> GS, insurance products are not available to cover these activities. The group discussed the possibility of phasing in some of the coverage based on the stage of the project. For example, there is no likelihood of CO<sub>2</sub> leakage in the pre-injection phase;

however there is a real, although somewhat lower risk to USDWs while the well is being drilled. CES explained that, once the project is underway, an insurer would be able to perform the risk evaluation that would be needed to develop an insurance policy.

Calvin explained that pay-in periods are an option for trust funds and escrow agreements. EPA acknowledged the current uncertainties associated with the project and said that would extend flexibility to the degree possible; however, the Class VI requirements must be met.

CES added that some insurance companies have expressed interest in talking to EPA to better understand GS as they develop insurance products. David mentioned that it might be appropriate to include EPA Headquarters staff in such conversations.

David added that a fourth request for additional information related to well construction and plugging and CES's draft Testing and Monitoring Plan will be coming in the next week or so.